

SOUTHWESTERN SPECIAL SERVICE DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2006

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Snow & Nelson, LLP
CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Board Members
Southwestern Special Service District
St. George, UT 84770

We have compiled the financial statements of the governmental activities of Southwestern Special Service District, a component unit of Washington County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion, or any other form of assurance, on them.

We are not independent with respect to Southwestern Special Service District.


SNOW & NELSON, LLP
January 12, 2007

SOUTHWESTERN SPECIAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

The discussion and analysis of Southwestern Special Service District's ("District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2006. This report is in conjunction with the District's financial statements, which are part of this report.

The District is authorized to provide fire protection and suppression with the District. The District's Administrative Control Board consists of five (5) members, each of whom is elected by general election within the service area to serve a four-year term.

Financial Highlights:

- The District owns two fire stations and fire fighting vehicles and equipment to enable them to respond to fires within the District boundaries. The District is funded by a mill levy assessed on properties within the District. Washington County assesses and collects these levies with property taxes and distributes to the District. Actual collections distributed to the District during 2006 were \$75,623.
- The District approved by vote and implemented a new resolution during 2006. The resolution imposes an impact fee on all new construction in the service territory. Funds collected from the impact fees are reserved for fire station structures and improvements. The balance of collected impact fees at December 31, 2006 is \$7,962.
- The assets of the District are wholly unencumbered and amount to \$608,902 at December 31, 2006.
- As of the close of the current calendar year, the District's governmental funds reported ending fund balance of \$317,560, an increase of \$78,904 from the prior year. The balance is comprised of \$7,962 of impact fees (*reserved fund balance*) and the remaining is available for spending at the District's discretion (*unreserved fund balance*).

Using This Annual Report

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent calendar year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish function of the District that are principally supported by assessed mill levies assessed as taxes and other funds from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activity of the District is fire protection.

The government-wide statements can be found on pages listed in the table of contents.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds; the general fund and capital projects fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the calendar year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual budget for its general and capital project funds. A budgetary comparison statement for the general fund has been provided to show legal compliance with this budget.

The basic financial statements can be found as listed in the table of contents.

SOUTHWESTERN SPECIAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2006

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Reporting the District as a Whole

The District realizes revenues from several sources; 1) annual assessment on property owners in the District, 2) investment earnings, and 3) matching fund grants and other sources of additional funding as identified.

Contacting the District

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact District board personnel at: P.O. Box 3120; St. George, UT 84771.

Condensed Financial Statements:

Assets:	<u>2005</u>	<u>2006</u>	Revenues:	<u>2005</u>	<u>2006</u>
Current	238,806	317,560	Total Revenues	157,722	131,391
Non-Current	<u>277,406</u>	<u>291,342</u>	Expenditures	<u>22,152</u>	<u>52,487</u>
Net Assets:			Change in Net Assets	135,570	78,904
Unrestricted	<u>516,212</u>	<u>608,902</u>	Beginning Net Assets	<u>380,642</u>	<u>516,212</u>
			Ending Net Assets	<u>516,212</u>	<u>608,902</u>

BASIC FINANCIAL STATEMENTS

**SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF NET ASSETS**

December 31, 2006

		Governmental <u>Activities</u>
ASSETS		
Current Assets:		
Cash		\$ 317,560
Capital Assets:		
Buildings & Equipment		<u>291,342</u>
TOTAL ASSETS		\$ <u>608,902</u>
LIABILITIES		
Liabilities:		\$ <u>-</u>
TOTAL LIABILITIES		-
NET ASSETS		
Investment in Capital Assets		291,342
Restricted		7,962
Unrestricted		<u>309,598</u>
TOTAL NET ASSETS		<u>608,902</u>
TOTAL LIABILITIES & NET ASSETS		\$ <u>608,902</u>

See accompanying notes and accountant's report

**SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2006

Functions/Programs:	<u>Expenditures</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Assets
		<u>Utah Fire Assistance Reimbursements</u>	<u>Governmental Grants</u>	
Governmental Activities:				<u>Total Governmental Activities</u>
Fire Operations	\$ <u>38,551</u>	\$ <u>12,821</u>	\$ <u>23,715</u>	\$ <u>(2,015)</u>
TOTALS	\$ <u>38,551</u>	\$ <u>12,821</u>	\$ <u>23,715</u>	\$ <u>(2,015)</u>
General Revenues:				
Tax Revenues				75,623
Interest Income				11,270
Impact Fees				<u>7,962</u>
Total General Revenues				<u>94,855</u>
Changes in Net Assets				92,840
Net Assets - Beginning of the Year				<u>516,062</u>
Net Assets - End of the Year				\$ <u><u>608,902</u></u>

See accompanying notes and accountant's report

**SOUTHWESTERN SPECIAL SERVICE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2006

ASSETS	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Cash	\$ 51,598	\$ 265,962	\$ 317,560
TOTAL ASSETS	\$ 51,598	\$ 265,962	\$ 317,560
 LIABILITIES AND FUND EQUITY			
Liabilities:	\$ -	\$ -	\$ -
Fund Equity:			
Fund Balance:			
Reserved		7,962	7,962
Unreserved	51,598	258,000	309,598
Total Equity Fund	51,598	265,962	317,560
TOTAL LIABILITIES AND FUND EQUITY	\$ 51,598	\$ 265,962	\$ 317,560

See accompanying notes and accountant's report

**SOUTHWESTERN SPECIAL SERVICE DISTRICT
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

December 31, 2006

Total Fund Balances - Governmental Fund Types	\$ 317,560
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Buildings & Equipment	<u>291,342</u>
Net Assets of Governmental Activities	\$ <u><u>608,902</u></u>

See accompanying notes and accountant's report

SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Totals</u>
REVENUE			
Tax Collections	\$ 75,623	\$	\$ 75,623
Matching Funds	23,715		23,715
Utah Fire Assistance Reimbursement	12,821		12,821
Interest Income	11,270		11,270
Impact Fees		7,962	7,962
TOTAL REVENUE	123,429	7,962	131,391
EXPENDITURES			
Equipment	\$ 13,936	\$	\$ 13,936
Fire Fighter Fund	4,680		4,680
Fire Prevention Programs	4,986		4,986
General Administration	9,749		9,749
Maintenance & Fuel	11,328		11,328
Supplies & Training	4,715		4,715
Utilities	3,093		3,093
TOTAL EXPENDITURES	52,487	-	52,487
NET CHANGES IN FUND BALANCES	70,942	7,962	78,904
OTHER FINANCING SOURCES (USES):			
Fund Transfers	(90,000)	90,000	-
FUND BALANCE - BEGINNING OF YEAR	70,656	168,000	238,656
FUND BALANCE - END OF YEAR	\$ 51,598	\$ 265,962	\$ 317,560

See accompanying notes and accountant's report

SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS RECONCILIATION TO STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2006

Net Changes in Fund Balances - Total Governmental Funds	\$ 78,904
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	<u>13,936</u>
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Changes in net Assets of Governmental Activities	\$ <u><u>92,840</u></u>
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See accompanying notes and accountant's report

SOUTHWESTERN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE-1 Summary of Significant Accounting Policies

Reporting Entity - The Southwestern Special Service District, a component unit of Washington County, was created by the adoption of a resolution to establish a special service district by the Washington County Commissioners on September 29, 1997. The District was authorized to acquire and operate facilities for fire control. The general boundaries of the District are the communities and surrounding areas of Diamond Valley and Winchester Hills. The Special Service District's Administrative Control Board consists of five (5) members, each of whom was elected by general election within the service area. The board members each serve a four-year term. The board members, at their annual meeting, elected a chairperson, vice-chairperson, secretary, and a treasurer to serve such terms as the board shall determine.

Fund Accounting - The Special Service District uses fund accounting. The general fund operates with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity and revenues and expenditures. The fund and account group used by the District are as follows:

Governmental Fund

General Fund - The General Fund is the general operating fund of the Special Service District. It is used to account for annual tax revenues and other financial activity and resources.

Capital Projects - The Capital Projects Fund is the restricted fund, segregated by formal motion and vote of the board for specific capital enhancements. The amount restricted during 2006 was specified for acquisition of real estate, fire department structures and structural improvements.

Account Group - General Fixed assets Account Group - The General Fixed Assets Account Group is used to record the cost of the fixed assets owned by the District and to aid in maintaining physical control over these assets. General fixed assets are recorded as expenditures in the General Fund at the time of purchase or construction. These assets are then concurrently recorded, at cost, in the General Fixed Asset Account Group. Donated assets are recorded in the General Fixed Asset Account Group at their estimated fair market value at the date of donation. Depreciation is not provided on general fixed assets. Certain improvements constructed in the public right of way, such as

Note 1 – Summary of Significant Accounting Policies (Continued)

roads, bridges, curbs and gutters, streets and sidewalks and drainage and lighting systems, are not recorded in the account group.

Basis of Accounting - The modified accrual basis of accounting is followed by the General Fund. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when measurable and available). Expenditures are recorded when the liability is incurred.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Budget Process

Southwest Special Service District properly adopted the required budget for 2006. There were no changes to the original adopted budget during the year.

Note 3 – Cash

Cash Balances – At year-end, the carrying amount of the District's cash balances were \$317,560 and the bank balances were \$318,602. This entire amount was covered by federal depository insurance.

Note 4 – Changes in General Fixed Assets

	<u>Balance</u> <u>December 31,</u> <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2006</u>
Land, Machinery, Equipment, Buildings and Improvements	\$277,406	\$13,936	\$-0-	\$291,342

Note 5 – Utah State Retirement Plans

Southwestern special Service District does not participate in the Utah State Retirement Plan or any other retirement plan.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE			
Tax Collections	\$ 80,858	\$ 75,623	(5,235)
Matching Funds		23,715	23,715
Utah Fire Assistance Reimbursement		12,821	12,821
Interest Income		11,270	11,270
Impact Fees		7,962	7,962
TOTAL REVENUE	<u>80,858</u>	<u>131,391</u>	<u>50,533</u>
EXPENDITURES			
Equipment	35,400	13,936	21,464
Fire Fighter Fund	7,115	4,680	2,435
Fire Prevention Programs	3,000	4,986	(1,986)
General Administration	6,300	9,749	(3,449)
Maintenance & Fuel	7,000	11,328	(4,328)
Supplies & Training	5,950	4,715	1,235
Utilities	3,000	3,093	(93)
TOTAL EXPENDITURES	<u>67,765</u>	<u>52,487</u>	<u>15,278</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	\$ 13,093	78,904	\$ 65,811
FUND BALANCE - BEGINNING OF YEAR	70,656	70,656	-
FUND BALANCE RESERVED FOR CAPITAL PROJECTS	<u>(13,093)</u>	<u>(97,962)</u>	<u>84,869</u>
FUND BALANCE - END OF YEAR	<u>\$ 70,656</u>	<u>\$ 51,598</u>	<u>\$ (19,058)</u>

See accompanying notes and accountant's report

**SOUTHWESTERN SPECIAL SERVICE DISTRICT
STATEMENT OF ACTIVITY - IMPACT FEES**

For the Year Ended December 31, 2006

	<u>PROJECTED</u>	<u>ACTUAL</u>
IMPACT FEES		
2006 Collections	\$	\$ 7,962
		<hr/>
TOTAL IMPACT FEES COLLECTED		7,962
 PROJECTED EXPENDITURES		
2007 EXPENDITURE	5,818	
2008 EXPENDITURE	-	
2009 EXPENDITURE	-	
2010 EXPENDITURE	-	
2011 EXPENDITURE	2,144	
	<hr/>	<hr/>
TOTAL PROJECTED EXPENDITURES	\$ <u>7,962</u>	-
 BALANCE IMPACT FEES AT YEAR END		\$ <u>7,962</u>

See accompanying notes and accountant's report